

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2013-150-E - ORDER NO. 2013-680
SEPTEMBER 27, 2013

IN RE: South Carolina Electric & Gas Company's Annual Request for Revised Rates) ORDER GRANTING) REQUEST FOR) APPROVAL OF REVISED) RATES
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INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (“Commission”) pursuant to a request by South Carolina Electric & Gas Company (“SCE&G” or “Company”) for approval of revised rates (“Request”) in accordance with the terms of the Base Load Review Act (“BLRA”), S.C. Code Ann. § 58-33-210, *et seq.* (Supp. 2012). Under § 58-33-280 of the BLRA, electric utilities engaged in the construction of a base load generation facility pursuant to a Base Load Review Order issued by the Commission may annually request revised rates to recover their weighted average cost of capital applied to all, or, at the utility’s option, part of the outstanding balance of construction work in progress (“CWIP”), calculated as of a date specified in the filing.

The current Request is based on Base Load Review Order Nos. 2009-104(A), 2010-12, and 2011-345, dated March 2, 2009, January 21, 2010, and May 16, 2011, respectively. In Order No. 2009-104(A), the Commission granted SCE&G a Certificate of Environmental Compatibility and Public Convenience and Necessity and a Base Load

Review Order for construction of a two-unit, 2,234 net megawatt, nuclear generating facility to be located at the V.C. Summer Nuclear Station near Jenkinsville, South Carolina (“Combined Application”). The Combined Application was filed on May 30, 2008.

In Docket No. 2009-211-E, SCE&G filed a request for revised rates on May 29, 2009, with an effective filing date of May 30, 2009. On September 30, 2009, the Commission issued Order No. 2009-696, by which it approved SCE&G’s first request for revised rates pursuant to S.C. Code Ann. § 58-33-280.

In Docket No. 2009-293-E, SCE&G requested that the Commission issue an Order pursuant to S.C. Code Ann. § 58-33-270(E) approving updated construction milestones for the project and an updated cash flow projection for the project. The Commission approved this request in Order No. 2010-12.

The Company’s second request for revised rates made pursuant to S.C. Code Ann. § 58-33-280 was filed effective May 30, 2010, in Docket No. 2010-157-E. On September 30, 2010, the Commission granted this request in Order No. 2010-625.

On November 15, 2010, the Company filed a Petition with the Commission seeking approval for an updated capital cost schedule. On May 16, 2011, the Commission issued Order No. 2011-345 in Docket No. 2010-376-E, whereby the Commission approved an updated cost schedule for the project. The updated cost schedule amended the schedule initially approved in Order No. 2009-104(A) and modified by Order No. 2010-12.

The Company's third request for revised rates made pursuant to S.C. Code Ann. § 58-33-280 was filed effective May 30, 2011, in Docket No. 2011-207-E. On September 30, 2011, the Commission granted this request in Order No. 2011-738.

On May 15, 2012, the Company filed a Petition with the Commission seeking approval of an updated capital cost schedule and construction schedule in Docket No. 2012-203-E. The requested relief was granted in part in Order No. 2012-884, dated November 15, 2012. The updated cost schedule and construction schedule amended the schedules initially approved in Order No. 2009-104(A), and modified by Order Nos. 2010-12 and 2011-345.

The Company's fourth request for revised rates made pursuant to S.C. Code Ann. § 58-33-280 was filed effective May 30, 2012, in Docket No. 2012-186-E. On September 28, 2012, the Commission granted the request in Order No. 2012-761. The present case is the Company's fifth request for revised rates.

Under the BLRA, the public may file comments on the request with the Commission and the South Carolina Office of Regulatory Staff ("ORS") within one (1) month of the filing. S.C. Code Ann. § 58-33-280(C). Within two (2) months of the request, ORS must file with the Commission a report with the results of its review and audit of the utility's request. S.C. Code Ann. § 58-33-280(D). Included in the ORS report are any proposed changes to the revised rates or to the information supporting them which result from the ORS review and audit of the matters at issue. *Id.* Within one (1) month of the date ORS files its report with the Commission, interested parties may file written comments concerning ORS's report. S.C. Code Ann. § 58-33-280(E). ORS

is authorized to revise its report based on filed comments. S.C. Code Ann. § 58-33-280(E). Within four (4) months after the date the request was filed, the Commission must issue an order granting, modifying, or denying the revised rates requested by the utility. S.C. Code Ann. § 58-33-280(F).

In this proceeding, SCE&G filed its Request on May 30, 2013. Pursuant to S.C. Code Ann. § 58-33-280(B), SCE&G established June 30, 2013, as the date for calculating its outstanding balance of CWIP and weighted average cost of capital. In the Request, SCE&G projected that as of June 30, 2013, its CWIP for V.C. Summer Nuclear Station Units 2 & 3 (“Units”), incremental to the amount already included in rates pursuant to Order No. 2012-761, including associated Allowance for Funds Used During Construction (“AFUDC”), would total \$590,417,000.¹ SCE&G requested the approval of rates and tariffs calculated to produce an increase in annual revenues of approximately \$69,671,000, which reflected SCE&G’s then-current cost of capital of 12.26% as applied to that amount. The rate adjustments proposed in the Request amount to an average increase to customers in the residential class of 3.10%.

The exhibits to the Request included detailed budgetary information, construction milestone schedules, and SCE&G’s March 2013 Quarterly Report which was filed in accordance with S.C. Code Ann. §§ 58-33-277 and 58-33-280(B). In the March 2013 Quarterly Report, SCE&G provided a detailed review of the progress of engineering, procurement and construction of the Units. ORS conducted its review and audit of the Request as required by S.C. Code Ann. § 58-33-280(D).

¹ This calculation reflects the deferral of \$52,000 which represents one-half (½) of the cost incurred by SCE&G related to the Change Order #11 Schedule Impact Study.

On July 30, 2013, ORS timely filed its “*Report on South Carolina Electric & Gas Company’s Annual Request for Revised Rates*” (“Report”). In the Report, ORS documented that it had conducted the statutorily-required review of SCE&G’s actual CWIP expenditures through June 30, 2013, and compared those figures with the forecasted amounts set forth in Exhibit D to the Request. ORS determined that SCE&G’s as adjusted incremental CWIP for the review period was \$569,356,000, which was \$21,061,000 less than the projected balance as of June 30, 2013, as set forth in Exhibit D to the Request. ORS also recomputed the amount of AFUDC properly included in the CWIP account to reflect the adjusted CWIP balances as of June 30, 2013. In addition, ORS verified and recalculated SCE&G’s cost of capital as of June 30, 2013, which it computed in accordance with the terms of the BLRA and the findings as to cost of capital contained in Order No. 2009-104(A). Based on these verified and recalculated numbers, ORS computed an additional annual retail revenue requirement of \$67,240,232 associated with the adjusted incremental balance of CWIP, reflecting a weighted average cost of capital of 12.27%.

As indicated in the Report, ORS also examined the rate design and class allocation factors SCE&G used to create the rates presented in Exhibit F to the Request. ORS verified that the Company’s proposed rate design and class allocation factors complied with S.C. Code Ann. § 58-33-270(D) and the rate design contained in the Company’s last rate order, Order No. 2012-951. ORS concluded that the project is being constructed in accordance with the construction schedules and cumulative cost forecasts approved in Order Nos. 2009-104(A), 2010-12, and 2011-345. ORS determined that the

retail revenue requirement requested by SCE&G should be reduced from \$69,671,000 to \$67,240,232.

On August 20, 2013, SCE&G submitted its written comments on the ORS Report and indicated that the Company was in agreement with the conclusions of ORS, including specifically ORS's calculation of SCE&G's CWIP, incremental retail revenue requirement, capital structure, allocation of additional revenue requirement, rate design and other operative matters related to the current request for revised rates. With regard to the future treatment of the removal of certain capital cost items totaling \$229,000, SCE&G informed the Commission that the Company intended to seek recovery of these costs in a future proceeding under the terms of the BLRA. No other comments were filed in response to the ORS Report.

The Commission has examined the Request, Report, and the comments filed in this Docket. In doing so, the Commission is mindful that, where the ORS and the utility have agreed in writing as to a revised rates filing, the BLRA requires the Commission to give substantial weight to the agreement in issuing its order. S.C. Code Ann. § 58-33-280(G). Based upon our review, we conclude that the Request should be granted with modifications proposed by the ORS and agreed to by SCE&G in accordance with the Findings and Conclusions set forth herein.

FINDINGS AND CONCLUSIONS

1. S.C. Code Ann. § 58-33-280(A) provides that an electric utility may file a request for revised rates no earlier than one year after filing a combined application, and no more frequently than annually thereafter under the BLRA.

2. SCE&G filed its last request for revised rates in Docket No. 2012-186-E, on May 30, 2012.

3. SCE&G's Request in this proceeding is timely.

4. All information received indicates that the facility is being constructed in accordance with the construction schedules set forth in Commission Order No. 2009-104(A), as modified in Commission Order No. 2010-12.

5. The capital costs that the Company now seeks to have included in revised rates are within the capital cost schedules approved in Commission Order No. 2009-104(A), as modified in Commission Order Nos. 2010-12 and 2011-345.

6. ORS has examined the Request and concluded that SCE&G's adjusted allowable incremental CWIP associated with the Units as of June 30, 2013, was \$569,356,000.

7. Based upon ORS's Report, an increase in SCE&G's annual retail revenue requirement of \$67,240,232 is appropriate to allow SCE&G the opportunity to recover its approved cost of capital as applied to the incremental CWIP associated with the Units on June 30, 2013.

8. Revised rate tariffs which are consistent with the terms of this Order shall be electronically filed by the Company with this Commission within ten (10) days of the Company's receipt of this Order.

9. Under S.C. Code Ann. § 58-33-280(H), a utility may implement revised rates for bills rendered on or after a date selected by the utility not sooner than 30 days after revised rates are approved. The revised rate tariffs shall be effective for bills

rendered on and after October 30, 2013, which is a date that conforms with the provisions of S.C. Code Ann. § 58-33-280(H).

10. The Commission finds no other changes are appropriate or necessary in SCE&G's proposed Request apart from those proposed by ORS and agreed to by SCE&G.

11. Any aggrieved party may petition this Commission for a review of this Order within thirty (30) days from the date of this order. S.C. Code Ann. § 58-33-285(A).

12. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:


G. O'Neal Hamilton, Chairman

ATTEST:



Nikiya Hall, Vice Chairman

(SEAL)